functionalities to provide a complete telecommunications service, it is not materially different from the other unbundled components of the network in this respect. No single component is capable of providing local exchange service on a stand-alone basis. Ameritech Michigan's argument that common transport embraces several discrete elements is basically an argument over how to define a network element. The Commission finds that the facilities used to provide common transport have the unifying characteristics of a network function and that it is therefore appropriate to address common transport as an unbundled network element. Moreover, the Commission finds much merit in the FCC's reasoning rejecting Ameritech Michigan's arguments to the contrary in the Third Order on Reconsideration.

The Commission further finds that even if Ameritech Michigan's interpretation of federal law were valid, the Michigan Telecommunications Act requires the Commission to administer and enforce the obligations of incumbent providers to offer common transport. Section 355(2) states that unbundling of basic local exchange service requires the separation into the loop and port elements "at a minimum." However, the same principles that mandate unbundling make it appropriate to consider further disaggregation of basic local exchange service into more constituent elements than simply the loop and the port. Moreover, unbundling into more and smaller components or functions of the network furthers the competitive purposes and policies of the Michigan Telecommunications Act. The Commission also agrees with MCI that the statutory definition of "port" as "the entirety of local exchange" (except for the loop) used to provide local calling is consistent with the unbundling concepts of the Michigan Telecommunications Act and embraces the common transport function. If it did not, local calling would not be a viable means of terminating any call that did not originate in the same end office.

The Commission also rejects the argument that Iowa Utilities preempts state law, even if

Ameritech Michigan's interpretation of the court decision were valid. The decision reflected the court's conclusion of law that the FCC overstepped its statutory authority in requiring incumbents to combine multiple network elements. As argued by AT&T and MCI, this holding does not inhibit a state commission from mandating various elements or combinations of elements under state law. The federal Telecommunications Act of 1996 explicitly preserves states' authority to impose requirements that accelerate competition in the local exchange market beyond what federal law would otherwise mandate. 47 USC 251(d)(3), 261(c).[9]

Consequently, the Commission sees no reason to depart from its previous determination that Ameritech Michigan should make common transport available as an unbundled network element. The Commission therefore reaffirms the provisions of the July 14, 1997 order relating to common transport and directs Ameritech Michigan to comply with the order by filing tariff provisions that fully implement the common transport obligations.

The Commission further finds that, for the most part, it should not consider additional substantive modifications to common transport at this stage in the proceedings. Therefore, the Commission rejects most of the new proposals put forward by MCI and AT&T, including their proposal to revise the usage-sensitive rate downward. However, an exception pertains to Ameritech Michigan's tariff provisions that are based on its original proposal to provide dedicated

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[9] In arguing that a common transport obligation would impede the purposes and policies of federal law, Ameritech Michigan apparently relies on the Eighth Circuit's perceived need to maintain the distinction "between access to unbundled network elements on the one hand and the purchase at wholesale rates of an incumbent's telecommunications retail services for resale on the other." Order amending Iowa Utilities, slip op. at 2. However, providing common transport as an unbundled network element would not erode that distinction. A competing provider of local exchange service would continue to face a choice between the different risks and benefits of combining common transport with other elements (as well as its own facilities), on the one hand, and purchasing retail local exchange service at the resale discount, on the other.

transport. As argued by the Staff and others, Ameritech Michigan should be required to eliminate those tariff provisions mandating elements and services that are not necessary when a competing provider uses common transport. As examples, the tariffs may not obligate the provider taking common transport also to pay for a dedicated trunk port or to subscribe to collocation as a means of terminating its unbundled access to common transport facilities. As already noted, Ameritech Michigan must also revise its tariffs to be consistent in all other respects with the July 14, 1997 order's provisions relating to common transport.

Resale Discount

The Staff's avoided cost model computes the resale discount percentage by dividing the retail costs that the provider would avoid incurring in a wholesale setting by the provider's total revenues that would be subject to resale. As approved in the July 14, 1997 order, the resale discounts computed under the model were 25.96% if the purchasing provider chooses not to use Ameritech Michigan's OS/DA services and 19.96% if the provider purchases Ameritech Michigan's OS/DA services. Although Ameritech Michigan generally accepts the model, it proposes three revisions on rehearing.

Ameritech Michigan's first proposed revision addresses the treatment of OS/DA-related costs in the computation of the discount applicable to providers purchasing services "without OS/DA." Although Ameritech Michigan agrees that OS/DA revenues should be removed from the denominator (revenues subject to resale), it does not agree that the numerator (avoided costs) should also be increased by the costs of providing OS/DA. Ameritech Michigan says that those costs (which appear in accounts 6220—operator systems expense, 6621—call completion services, and 6622—number services) would not be charged to "without OS/DA" customers, so that making an additional provision for them in the numerator effectively double-counts them.

Conclusion

The modified cost inputs approved in this order are Ameritech Michigan's depreciation proposal and the extended TELRIC adjustment relating to shared and common costs (but not Ameritech Michigan's overall proposal for allocating a pool of shared and common costs). In addition, Ameritech Michigan shall revise those tariff provisions that are inconsistent with the common transport obligations set forth in the July 14, 1997 order. The tariff revisions must make clear that a competing provider subscribing to common transport is under no obligation to use dedicated trunk ports or collocation as the means of using common transport in conjunction with other unbundled network elements to provide local exchange service. Finally, the resale discount for competing providers that choose not to use Ameritech Michigan's OS/DA services will be revised to 21.55%. The Commission finds that rehearing should be denied in all other respects.

Ameritech Michigan shall rerun its cost studies with the cost input modifications approved in this order and shall submit those studies, together with all tariff changes necessary to implement this order, to the Commission within 14 calendar days after this order is issued. The cost studies shall be treated as confidential.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1991 PA 179, as amended by 1995 PA 216, MCL 484.2101 et seq.; MSA 22.1469(101) et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; MSA 3-.560(101) et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACS, R 460.17101 et seq.

b. The inputs used in Ameritech Michigan's cost studies should be modified as set forth in this order.

c. Ameritech Michigan's tariffs should be modified to be consistent with the common

transport provisions in the July 14, 1997 order.

d. Ameritech Michigan's resale discount for bundled retail services should be 21.55% if the purchasing provider does not obtain OS/DA services from Ameritech Michigan.

e. In all other respects, the petitions for rehearing should be denied.

THEREFORE, IT IS ORDERED that:

A. The modifications to Ameritech Michigan's cost study methodology and proposed rates, terms, and conditions for unbundled network elements, interconnection services, and resale services are approved, as discussed in this order. In all other respects, the petitions for rehearing are denied, and the cost methodologies and rates, terms, and conditions approved in the July 14, 1997 order shall remain in effect.

B. Ameritech Michigan shall file total service long run incremental cost and related studies and tariffs, with the modifications required by this order, within 14 calendar days.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26; MSA 22.45.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ John G. Strand
Chairman

(SEAL)

/s/ John C. Shea
Commissioner

/s/ David A. Svanda
Commissioner

By its action of January 28, 1998.

/s/ Dorothy Wideman
Its Executive Secretary

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the petition of **BRE COMMUNICATIONS, L.L.C.**, for arbitration of interconnection terms, conditions, and prices from **GTE NORTH INCORPORATED** and **CONTEL OF THE SOUTH, INC.**, d/b/a **GTE SYSTEMS OF MICHIGAN**.	)	Case No. U-11551

At the January 28, 1998 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. John G. Strand, Chairman
Hon. John C. Shea, Commissioner
Hon. David A. Svanda, Commissioner

ORDER ADOPTING ARBITRATION DECISION

On October 6, 1997, BRE Communications, L.L.C., (BRE) filed a petition for arbitration of an interconnection agreement with GTE North Incorporated and Contel of the South, Inc., d/b/a GTE Systems of Michigan, (GTE) pursuant to Section 252 of the federal Telecommuni-cations Act of 1996 (the federal Act), 47 USC 252, the Michigan Telecommunications Act, MCL 484.2101 et seq.; MSA 22.1469(101) et seq. (the Michigan Act), and the Commission's July 16, 1996 order in Case No. U-11134, which established procedures for arbitrating interconnection agreements.

On October 8, 1997, Chief Administrative Law Judge George Schankler appointed Theodora M. Mace, Thomas L. Saghy, and Margaret Wallin to the arbitration panel. By letter dated October 13, 1997, the arbitration panel presented the parties with a tentative schedule. Pursuant to that

schedule, GTE filed its response to BRE's petition on October 31, 1997.

Just prior to GTE's response, the parties filed a stipulation, which authorized the arbitration panel and the Commission to take administrative notice of the testimony, arguments, and orders in Case No. U-11165 (arbitration between AT&T Communications of Michigan, Inc., and GTE) and Case No. U-11206 (arbitration between Sprint Communications Company, L.P., and GTE), with respect to the cost and price issues presented in this docket. The stipulation provided that the parties' rights to argue that a result different than that reached in the previous cases are not waived.

On November 6, 1997, the arbitration panel and the parties met for the purposes of establishing procedures and to discuss the parties' respective positions on the issues. On November 12, 1997, the parties filed a joint list of issues still in dispute, with a brief statement of their respective positions.

On November 24, 1997, the parties each filed a Proposed Decision of the Arbitration Panel (PDAP). Thereafter, on December 1, 1997, the parties appeared before the arbitration panel for oral presentations related to those PDAPs.

On December 18, 1997, the Decision of the Arbitration Panel (DAP) was issued, in which the arbitration panel identified 28 disputed issues. For each of the issues, the arbitration panel stated its decision and the underlying rationale for that decision. Many of the issues that remained in dispute had been previously decided by prior arbitration panels and approved, as modified, by the Commission's orders in Case No. U-11165 and Case No. U-11206. Because the parties did not add to the evidence submitted in the prior cases, which was before the arbitration panel pursuant to the stipulation, the arbitration panel noted that it had not been presented anything that required reaching a result different than that reached in the previous cases. The arbitration panel therefore chose to follow the determinations approved by the Commission in the earlier cases.

GTE and BRE filed objections to the DAP on December 30, 1997. For issues that were raised and decided in the previous arbitration cases, GTE reiterates arguments it submitted in Case No. U-11165. The Commission will not address those arguments, having considered and rejected them previously and having been given no persuasive reason that a different result is warranted in this case.

The Commission finds that, with few exceptions, the arbitration panel's decision should be adopted for the reasons stated in the DAP, without need for further comment. Except as otherwise concluded below, the parties' objections are rejected.

Compensation for Operator Support Services (OSS)

GTE proposed that BRE bear the entire cost of accessing GTE's OSS functions, including the costs to develop that access. BRE proposed that it pay nothing. The arbitration panel determined that neither party had proposed language that was just, reasonable, or lawful and directed the parties to jointly draft contract language that would reflect its decision that these costs should be recovered in a competitively neutral manner. The panel further found that if BRE requests access to a special OSS function or feature that will only serve BRE, then GTE should charge BRE the actual cost of providing the special feature.

GTE objects and argues that it will derive no benefit from allowing competing local exchange companies (LECs) to access its OSS functions. GTE asserts that it will have no use for the electronic interfaces that it is required to develop. GTE asserts that it should be allowed to recover within three years all of its costs to develop the access interface. Therefore, reasons GTE, the Commission should modify the arbitration panel's decision to reflect BRE's obligation to pay for costs associated with developing access to OSS functions.

The Commission is not persuaded that the arbitration panel reached an incorrect conclusion.

The Commission agrees with the arbitration panel that allowing GTE to charge BRE for the entire cost of providing the access that others will use would not promote healthy competition. Moreover, the Commission finds that, notwithstanding GTE's protestations to the contrary, it will enjoy benefits of the interfaces as a result of the efficiencies and benefits of a healthy competitive market. Like number portability, OSS interfaces are required in order for LECs to compete for customers in the marketplace. See FCC's Order 95-238, CC Docket No. 92-237 release of July 13, 1995, pp. 66-68. Accordingly, the Commission finds that GTE should be allowed to recover its reasonable and prudent costs of developing and implementing the OSS gateway on a competitively neutral basis. The arbitration panel's decision on this issue is affirmed.

Right to Request Combined Unbundled Elements

BRE and GTE do not agree on whether BRE must be allowed to obtain combined elements from GTE. GTE proposed contract language that expressly negates any obligation it might have to combine any network elements for BRE and other language limiting the use of unbundled elements.[1] BRE, on the other hand, proposed language that would allow it to obtain from GTE combined elements at the price of the sum of the rates for each of the elements.

The arbitration panel adopted BRE's position on this issue based on state law rather than the Federal Communications Commission's (FCC) rules or the federal Act. It acknowledged the decision in Iowa Utilities Bd v FCC, 120 F3d 753 (CA 8, 1997), in which the Court held that the federal Act did not require incumbent LECs to recombine network elements that requesting carriers purchase on an unbundled basis. However, the arbitration panel found support for BRE's

[1] It appears that GTE no longer contests BRE's right to recombine elements to provide a telecommunications service.

position in Section 305 of the Michigan Act, MCL 484.2305; MSA 22.1469(305), which requires incumbent LECs to provide connections to the network that do not impair the speed, quality, or efficiency of lines used by the competitive LEC and prohibits incumbent LECs from unreasonably refusing to connect with a provider that has novel or specialized requirements.

In the arbitration panel's view, adopting BRE's position would avoid enforcing a market inefficiency. It noted that the testimony and arguments of the parties showed that to unbundle previously bundled elements, GTE must perform an act to separate each element, and BRE must then perform another act to recombine those elements. Seeing this as increased effort to achieve the same result, the arbitration panel reasoned that the economic inefficiency could have a deleterious effect on the ability of BRE to compete. The arbitration panel noted that BRE, as a facilities-based provider, may have need for only certain parts of the network, which it should be able to obtain with the greatest economic efficiency available.

The arbitration panel noted that the parties had not brought before it a specific request for a particular combination of elements. It further found that the reasonableness of requiring GTE to provide any particular combination of elements would depend on the facts and circumstances of the request, which requires a case-by-case analysis. The arbitration panel found that BRE's language only requires that GTE provide combinations that it provides to itself. In the arbitration panel's view, GTE should either demonstrate that a requested combination of elements is not feasible or provide the requested combination.

GTE objects to the arbitration panel's findings on this issue and argues that the decision in Iowa Utilities Bd, supra, prohibits the Commission from requiring GTE to provide combined elements to BRE. GTE argues that Section 261(c) of the federal Act, 47 USC 261(c), prohibits states from imposing requirements on providers that are inconsistent with other sections of the

federal Act, including Section 251. Given the express intent to preempt state action that is inconsistent with the federal Act, argues GTE, even if Section 305 of the Michigan Act allows the Commission to adopt the arbitration panel's findings, the federal Act provisions must control.

The Commission finds that Iowa Utilities Bd, supra, does not require modifying the arbitration panel's determination. Pursuant to Section 252(e)(3) of the federal Act, 47 USC 252(e)(3), Congress preserved the states' authority to establish and enforce additional requirements in arbitration proceedings. Thus, although Section 251 of the federal Act has been interpreted not to support requiring an incumbent LEC to combine elements on request, there is no prohibition on enforcing state law to that effect. Additional state-imposed conditions and requirements are only preempted when inconsistent with standards expressed in Section 251. 47 USC 261(c).

Although the Court vacated the FCC's rule requiring incumbent LECs to combine requested elements, the Court did not hold that it would be unlawful for an incumbent LEC to accede to a request to combine elements. There is nothing in Section 251 of the federal Act that prohibits an incumbent LEC from combining elements at the request of a competitive LEC. The Commission therefore concludes that the requirement to combine elements at the request of the competitive LEC is not inconsistent with Section 251(c)(3) of the federal Act and may be imposed pursuant to the provisions of state law.

The Commission agrees with the arbitration panel that MCL 484.2305; MSA 22.1469(305) supports adopting BRE's position. Additionally, the Commission notes that Section 355 of the Michigan Act, MCL 484.2355; MSA 22.1469(355), requires incumbent LECs to unbundle services to at least the loop and port components. However, the loop and the port may be divided into their smaller, constituent parts. Based on the provisions in Section 355, a Michigan competitive LEC could, for example, purchase an entire loop (which includes more than one piece)

as an unbundled element. To hold that the competitive LEC cannot buy less than the entire loop unless that is the tiniest portion of the network defies common sense. However, if the competitive LEC desires to obtain a combination that requires the incumbent LEC to combine uncombined elements, the requesting carrier should be required to pay the cost of that activity. Again, the Commission notes there are no specific requests before it to be determined. Should the parties not be able to agree, they may pursue appropriate remedies.

Classification of Internet Service Provider Traffic

The parties disagreed about the proper classification of traffic to an Internet service provider. GTE desires to classify such traffic as interstate traffic subject to federal access tariffs. BRE takes the position that this traffic should be considered local whenever the Internet service provider is reached by dialing a seven-digit (local) number. Prior to the filing of the PDAPs, the parties informed the arbitration panel that this issue had been resolved for purposes of this arbitration. The wording of the double red-lined version of the contract reflects the parties' agreement to treat the traffic as local, until the FCC or the Commission issues an order determining the appropriate classification for this traffic. The agreed upon language provides for a retroactive true-up should the disputed traffic ultimately be found not local. See Article V, Section 3.2.2.

Following the oral presentations, GTE attempted to place this issue before the arbitration panel, taking the position that the GTE negotiator had mistakenly agreed to this temporary resolution of the issue. GTE and BRE filed supplemental PDAPs that proposed language for the issue. The arbitration panel refused to consider the issue because it did not appear on the joint issue list submitted by the parties, and there had been no indication at the oral presentations that the issue was not resolved.

GTE argues that the Commission may decide this issue and should do so by adopting GTE's

position. BRE, on the other hand, asks the Commission to enforce the parties' agreement to treat this traffic as local until the Commission or FCC issues an order determining the proper compensation for this traffic.

After reviewing the various letters, documents, and the double red-lined version of the agreement, the Commission is persuaded that the parties' agreement to treat the traffic as local, with a true-up available if the traffic is later determined to be interstate, should be approved. The Commission finds unpersuasive GTE's claim that the issue should not be considered resolved because its negotiator did not have the authority to make the agreement. GTE does not claim that its negotiator did not agree to this temporary resolution, only that he had no authority to do so. The Commission finds that GTE should not be heard to claim that the one it sent as agent and negotiator did not have authority to enter into an agreement. To find otherwise would lead to the conclusion that GTE negotiated in bad faith. Moreover, the agreed resolution is not unreasonable under the circumstances, particularly considering the time limits of this case.

Performance Measures

Each party proposed performance measures for inclusion in the contract. The arbitration panel rejected both proposals as contrary to the requirements of the federal Act and recommended that the parties resume negotiation on this issue. Although GTE does not object to continued negotiation on this issue, it does object to the arbitration panel's rejection of its proposal, which it believes is consistent with the federal Act and the decision in Iowa Utilities Bd, supra, that an incumbent LEC may not be required to provide a higher quality of service than it provides itself.

BRE argues that the arbitration panel essentially agreed with BRE's proposed performance measures, but did not support the proposed penalties. Therefore, BRE requests that the Commission accept its proposed performance measures and consequences for their breach. BRE

explains that its proposed penalties are intended to be an incentive for GTE to fairly and equitably provide services to BRE within the performance measures. BRE states that it is impossible to determine at this time, and difficult to prove later, the damages that will result to BRE if GTE fails to meet these standards. Therefore, BRE states, a liquidated damage provision is a reasonable method to compensate BRE for any GTE failure to provide service at the stated quality levels.

The Commission finds that performance measures incorporated in an interconnection contract must require the incumbent LEC to provide to the competitive LEC at least the quality of service that the incumbent LEC provides to itself within the comparable area. The Commission concurs with the arbitration panel that neither parties' proposed performance measures are appropriate. The performance measures proposed by GTE would allow it to provide service of lesser quality to BRE than GTE provides to itself, contrary to the provisions of 47 USC 251(c)(2)(C). Neither of the proposed performance measures are adequately supported by the quality of service that GTE provides in the area in which BRE seeks to serve. Negotiation for the consequences of breaching any standards should also continue.

Therefore, the Commission concludes that the parties should be left to negotiate this issue further. If the parties are unable to agree on this issue within thirty days of the date of this order, each party may present its last best proposal to the Commission, and the Commission will choose the most reasonable of the proposed options.

The Commission FINDS:

a. Jurisdiction is pursuant to 1991 PA 179, as amended by 1995 PA 216, MCL 484.2101 et seq.; MSA 22.1469(101) et seq.; Communications Act of 1934, as amended by the Telecommunications Act of 1996, 47 USC 151 et seq., as amended, MCL 24.201 et seq.; MSA 3.560(101) et seq.; and the Commission's Rules of Practice and Procedure, as amended,

1992 AACS, R 460.17101 et seq.;

b. The decision of the arbitration panel, as modified by this order, should be approved.

THEREFORE, IT IS ORDERED that:

A. The arbitration panel's decision with regard to BRE Communications, L.L.C., and GTE North Incorporated and Contel of the South, Inc., d/b/a GTE Systems of Michigan, as modified by this order, is adopted.

B. The parties should continue to negotiate with respect to unresolved issues, as provided in arbitration panel's decision and this order.

The Commission reserves jurisdiction and may issue further orders as necessary.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ John G. Strand
Chairman

(SEAL)

/s/ John C. Shea
Commissioner, dissenting in a separate opinion.

/s/ David A. Svanda
Commissioner

By its action of January 28, 1998.

/s/ Dorothy Wideman
Its Executive Secretary

STATE OF MICHIGAN

IN THE COURT OF APPEALS

AMERITECH MICHIGAN,

Appellant,

Court of Appeals
No. 209828

v

MPSC Case No. U-11280

MICHIGAN PUBLIC SERVICE COMMISSION,

Appellee. /

STATE OF MICHIGAN)
) ss
COUNTY OF INGHAM)

AFFIDAVIT OF WILLIAM J. CELIO

William J. Celio, being first duly sworn, deposes and says:

1. I am the Director of the Communications Division of the Michigan Public Service Commission and have held this position for the past 12 years. In my official capacity, I had significant involvement in the issues as raised by Ameritech in this filing.

2. I have worked extensively with both the Michigan Telecommunications Act, 1991 PA 179, and the amendments to the Michigan Telecommunications Act, 1995 PA 216. The purpose of both legislative enactments was to provide increased services and lower prices through the introduction of competition into the local telephone market.

3. Local exchange service competition in Michigan began with the finalization of interconnection tariffs in Case No. U-10647 on February 23, 1995, although some activity had taken place prior to that time.

4. Despite the goal of the Michigan Telecommunications Act, Ameritech remains the dominant local telecommunications provider in the territories it serves and the state.

• Amertech's growth in the number of access lines is as follows:

Ameritech Michigan's Access Lines*			
Year	Number of lines	Increase since passage of MTA	Increase since U-10647 decision
1992	4,431,000		
1993	4,563,000	132,000	
1994	4,474,000	316,000	
1995	4,979,000	548,000	
1996	5,124,000	693,000	145,000
1997 (Sept)	5,254,000	823,000	275,000

• Currently, competing local exchange carriers serve roughly 200,000-300,000 access lines in Ameritech-Michigan's service territory.

• Ameritech-Michigan serves roughly 94.6-96.4% of the access lines in its service territory.

5. Ameritech Michigan's rates for various telephone services have increased since the passage of the MTA.

* Based on Michigan Bell Telephone Company's Forms 10-K and 10-Q as filed with the United States Securities and Exchange Commission.

• Ameritech Michigan's rates for basic local exchange service have increased as follows:

Ameritech Michigan's basic local exchange rates				
Service territory	Rate		Amount of increase	Percentage increase
	1992	1998		
Grand Rapids	$12.31	$13.08	$0.77	6%
Lansing	$11.93	$13.08	$1.15	10%
Sault Ste Marie	$10.27	$11.83	$1.56	15%
Traverse City	$11.29	$12.34	$1.05	9%
Detroit	$13.33	$13.48	$0.15	1%

• In addition to the regulated basic local exchange services which are regulated by the MPSC, Amertiech-Michigan increased rates for unregulated services numerous times since the passage of the MTA in 1991 and the amendments in 1995. Since the Commission has no record of many of these changes it is difficult to accurately quantify the impact, however there was a near doubling the rate for Call Waiting from the $2-3 dollar range to at least $5. Rates for non-published telephone numbers again have nearly doubled from approximately $1.25 to the mid $2 range. While still regulated to some degree, the rates for Directory Assistance have increased substantially due to a substantial reduction in the free call allowance (approximately 20 calls to less than 5) accompanied by an almost doubling of the per call charge for calls in excess of the call allowance.

•Prices for Ameritech Michigan's intraLATA toll service (that is, Ameritech's long distance service in Michigan) have also increased. For example, on December 9, 1996 Ameritech Michigan changed to a toll rate schedule that charged 15¢/minute regardless of the time of day the call was made. On August 29, 1997 Ameritech Michigan increased the rate to 17¢/minute. Most recently, Ameritech Michigan filed with the MPSC tariffs increasing the rate to 18¢/minute, effective March 1, 1998 . This means in the past 15 months, Ameritech has increased its toll rates by 20%.

6. It is unlikely Ameritech Michigan will have significant competition in the local telephone market in the near future:

•AT&T announced late in 1997 that it plans to discontinue marketing basic local exchange service in Michigan.

•I understand that MCI is reassessing its utilization of resold Ameritech-Michigan local exchange service as a vehicle for providing local exchange service in Michigan.

7. The MPSC has addressed the "common transport" (as referred to by the various parties as "shared transport" or "platforms") as it relates to Ameritech Michigan in a number of proceedings:

•The Commission first dealt with the common transport issue in the arbitration of the Ameritech/AT&T interconnection agreement, cases nos. U-11151/11152.

•The Commission has reaffirmed its position on a number of occasions in interconnection agreements with other competing carriers. (eg., MCI, BRE, et al)

•The Commission has reaffirmed its position on the common transport matter in two Applications by Ameritech-Michigan for interLATA relief pursuant to sec 271 of the federal Telecommunications Act of 1996.(FCC docket nos. 97-01 and 97-137).

•The Commission again affirmed its position most recently is Case Nos. U-11280 and U-11281 addressing Ameritech-Michigan's and GTE's cost studies, respectively.

•To date, Ameritech Michigan has not complied with any of the Commission's orders relating to common (shared) transport also known as the platform issue.

• Even with common transport, the activity would essentially be conversion of existing resold access lines to incremental pricing which would only modestly impact Ameritech-Michigan's revenue stream from the sale of local exchange service.

8. In February, 1998, the Commission issued a report to the Governor and Legislature indicating that "the marketplace for local telecommunication service in Michigan is dominated by Ameritech Michigan and GTE, and a truly open marketplace remains a goal, not a reality.

9. If called upon as a witness, I can testify as to the matters set forth herein.

William J. Celio

Subscribed and sworn to before me
this 9th day of March, 1998.

Carol Ann Dane, Notary Public
Eaton County, Michigan
My Commission Expires: July 23, 2000
/9851687 / Aff of Celio